

Message Text

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SUBJECT: PETROCHEMICALS PROJECT AND NATURAL GAS OWNERSHIP

REF: STATE 12619

1. EMBOFF DISCUSSED STATUS PETROCHEMICAL PROJECT AUGUST 4 WITH DR. A. J. OYEKAN, MINISTRY OF INDUSTRY OFFICIAL IN CHARGE OF PETROCHEMICAL PROJECT WHO RETURNED AUGUST 3 FROM FORTY DAY LEAVE.

2. OYEKAN SAID MEETING SCHEDULED FOR EARLY AUGUST NOW LIKELY BE POSTPONED UNTIL SEPTEMBER BECAUSE, UNLIKE B. F. GOODRICH, OTHER FIRMS INTERESTED IN PARTNERSHIP HAVE TOLD MINISTRY THAT THEIR APPROPRIATE EXECUTIVES ARE ON AUGUST VACATIONS. IT IS TRUE AUGUST IS TRADITIONALLY DEAD MONTH IN EUROPE, BUT IT ALSO LIKELY FIRMS COMPETING WITH B.F. GOODRICH NOT OVERLY EAGER TO RUSH INTO INVESTMENT COMMITMENT AND FIND AUGUST HOLIDAYS A CONVENIENT EXCUSE.

3. OYEKAN SAID HE HOPES PARTNERSHIP AGREEMENT CAN BE SIGNED BY END OF YEAR, BUT EXPRESSED NO UNUSUAL SENSE OF URGENCY TO EMBOFF. OYEKAN SAID MATERIAL PROVIDED BY CHEM SYSTEMS WAS NOT ACTUAL FINAL STUDY, BUT PRELIMINARY REPORT DESIGNED TO PROVIDE BASIS FOR HOLDING TALKS WITH INTERESTED COMPANIES FOR PURPOSE OF NARROWING

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GROUP OF EIGHT OR SO FIRMS (OYEKAN DECLINED PROVIDE NAMES) DOWN

TO THREE OR FOUR SERIOUS FINALISTS. MINISTRY ALSO WANTS TO DISCUSS POSSIBILITIES OF COMBINING PARTNERS SINCE SOME COMPANIES HAVE INDICATED INTEREST IN ONLY PART OF COMPLEX.

4. OYEKAN SAID INDIGENIZATION DECREE WILL NOT AFFECT PERCENT OF EQUITY PARTICIPATION REQUIRED, WHICH IS STILL 30 PERCENT FOREIGN AND 70 PERCENT FMG.

5. ON QUESTION OF GAS OWNERSHIP, EMBOFF HAS HEARD THAT FMG HAS NOW DECIDED THAT OIL CONCESSION HOLDERS ENTITLED TO 45 PERCENT OF GAS IN SAME MANNER THEY OWN 45 PERCENT OF CRUDE OIL. HOWEVER, NONE OF OIL COMPANIES HAVE SEEN ANYTHING IN WRITING ON THIS, AND SOME SEEM TO REGARD POSSIBILITY WITH MIXED FEELINGS. SHELL-BP OFFICIAL, FOR EXAMPLE, TOLD EMBOFF GAS OWNERSHIP MAY HAVE AS MANY DISADVANTAGES AS ADVANTAGES, SINCE IT MAY CREATE SOME TICKLISH TAX QUESTIONS. OYEKAN HIMSELF WAS UNAWARE OF ANY NEW DECISIONS AND SAID HE WOULD CHECK. HOWEVER, HE EXPRESSED SLIGHT MISGIVINGS ABOUT 45 PERCENT DECISION SINCE, HE SAID, THE FMG'S PREVIOUS POSITION HAD BEEN THAT IF GAS WAS BEING PRODUCED AND WASTED, ANYONE WHO COULD CREATE A USE FOR IT COULD HAVE IT FOR FREE. IF GAS ACQUIRES LEGAL STATUS AS AN ASSET WHICH IS OWNED, PART BY THE COMPANIES AND PART BY THE FMG, IT MUST HAVE A VALUE AND THUS A PRICE, AND THIS WILL AFFECT ECONOMICS OF PETROCHEMICAL PROJECT. EMBOFF ATTEMPTING TO OBTAIN INTERVIEW WITH DIRECTOR OF PETROLEUM RESOURCES F.R.A. MARINHO, WHO HAS BEEN OUT OF COUNTRY AT OPEC MEETINGS, TO CLARIFY THIS AND OTHER PETROLEUM ISSUES. CAHILL

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